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SETTLEMENT AGREEMENT

This Settlement Agreement dated August 12, 2002 (the "Settlement Agreement") is entered into by and among Matrix Telecom, Inc. ("Matrix") and International Exchange Communications, Inc. ("IECom") (together, Matrix and IECom will be referred to as the "Settling Parties"). With the intent of achieving a final resolution of the disputes among them that arise out of or are in any way related to any of the matters set forth in the following Recitals, and with the intent of being legally bound, the Settling Parties hereby represent and agree as follows

RECITALS

A On or about December 28, 2000, Matrix and IECom signed a Management Services Agreement that stated it was 'made and entered into as of January 5, 2001' (the 'MSA'), a copy of which is attached hereto and incorporated by reference as if set forth in full. The MSA provided, among other things, that: (1) IECom appointed Matrix as the sole and exclusive provider of all services necessary or appropriate for the supervision and management of certain assets of IECom (as defined in the MSA, the "Assets"); (2) Matrix agreed to receive specified compensation for its services; (3) IECom agreed to receive specified royalties for Matrix's use of the Assets; (4) IECom and Matrix agreed to share collected accounts receivable in specified proportions; and (5) IECom and Matrix undertook various responsibilities and made various representations and covenants. The MSA also recited that IECom and Matrix desired to negotiate and enter into an Asset Purchase Agreement under which Matrix would buy the Assets.

B On December 29, 2000, Pacific Gateway Exchange, Inc. filed a voluntary petition under chapter 11 of title 11 of the United States Code (the

"Bankruptcy Code") in the United States Bankruptcy Court for the Northern District of California (the "Bankruptcy Court"). On January 3, 2001, Onyx Networks, Inc., World Pathways, Inc., WORLDBLINK, INC., and Global Time, Inc. filed voluntary petitions under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. On January 4, 2001, IECOM filed a voluntary petition under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. Together, these six entities will be referred to as the "Debtors". For procedural purposes, the Bankruptcy Court is jointly administering the Debtors' cases under case number SF 00-33019 DM.

C On January 9, 2001, the Bankruptcy Court entered in the Debtors' cases its *Interim Order (A) (i) Authorizing Post Petition Financing and (ii) Granting Super Administrative Priority Expense Claim Status and (B) Scheduling a Final Hearing*, to which were attached a copy of the MSA and a Clarification of the MSA that elaborated upon the proportions of collected accounts receivable that IECOM and Matrix had agreed to share.

D Matrix and IECOM were unable to agree upon the terms of an Asset Purchase Agreement under which Matrix would buy the Assets. Each of the Settling Parties asserts that the acts, omissions, and/or misrepresentations of the other are to blame for their inability to agree.

E Disagreements between Matrix and IECOM have arisen over their obligations under the MSA. (a) IECOM asserts that Matrix breached certain of its covenants, obligations, and representations under the MSA by failing to pay IECOM royalties to which IECOM was entitled and by underreporting the revenues on which the royalties were based. IECOM asserts that Matrix owes it approximately \$771,885 in unpaid royalties. Matrix disputes these assertions. (b) Matrix asserts that IECOM breached certain of its covenants, obligations, and representations under the MSA and thereby caused Matrix to incur extraordinary

expenses that it should not have had to incur and that these expenses offset any royalties otherwise due and entitle Matrix to assert a claim for an administrative expense against IECOM's bankruptcy estate. Matrix asserts that IECOM owes it approximately \$1,060,000 for these expenses. IECOM disputes these assertions. (c) IECOM asserts that Matrix has not negotiated in good faith an Asset Purchase Agreement under which Matrix would buy the Assets. Matrix disputes this assertion.

F. Representatives of the Settling Parties have engaged in negotiations to reach a global resolution of their disagreements. These settlement negotiations have been conducted at arms' length and in good faith by the Settling Parties and have resulted in this Settlement Agreement. Accordingly, without admitting any liability or the accuracy of any claims or allegations, the Settling Parties wish to settle as expeditiously as possible all disputes among themselves, including all disputes arising out of the facts and allegations recited above, as follows:

SETTLEMENT TERMS

In light of the foregoing, and in consideration of the promises and releases contained herein and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Settling Parties agree as follows:

1. The Settling Parties acknowledge that this Settlement Agreement is subject to the approval of the Bankruptcy Court, and it is agreed that IECOM shall, at its own expense, seek to obtain approval of this Settlement Agreement by the Bankruptcy Court as soon as possible pursuant to Federal Rule of Bankruptcy Procedure 9019 on due and appropriate notice to creditors and other parties in interest in IECOM's chapter 11 case, provided however, that Matrix

shall bear the burden (and any cost) of providing the evidence uniquely within its control that is necessary to obtain the Bankruptcy Court's approval.

2 This Settlement Agreement shall be effective on the first business day that an order of the Bankruptcy Court approving this Settlement Agreement ("Settlement and Sale Order") in a form reasonably acceptable to the Settling Parties becomes final, unappealable, and unstayed (the "Settlement Effective Date"), provided, however, that Matrix may, in its sole discretion, waive the requirement that the order be final and unappealable, and cause the Settlement Effective Date to occur following entry of the Settlement and Sale Order, by delivering a written notice to this effect to IECOM, in which case the Settlement Effective Date shall be the date on which such notice is delivered.

3 The Settlement and Sale Order must (A) provide for the sale of the Assets to Matrix (i) free and clear of all liens, claims, encumbrances, and interests of those lienholders identified in the Bankruptcy Court's "Order Granting Omnibus Motion to Establish Procedures for the Expedited Sale of Assets and Authority to Sell Assets Free and Clear of Liens, Claims, and Encumbrances" (collectively, the "Lienholders") entered in the Debtors' cases on March 12, 2001 and (i) without any other representations, warranties or conditions, (B) require the transfer of the Assets and the payment of the \$600,000 to occur without delay and (C) include a finding that Matrix is a good-faith purchaser of the Assets as defined in section 363(m) of the Bankruptcy Code. Provided the Settlement and Sale Order is entered, effective and unstayed, IECOM will execute and deliver to Matrix any other documents that Matrix reasonably needs to effectuate its acquisition of the Assets.

4 On the Settlement Effective Date, Matrix will pay or cause to be paid to IECOM \$600,000 by cashier's check or wire transfer.

5 Neither IECOM nor its secured lenders (as signified by their approval and agreement at the end of this Settlement Agreement) will request that the delivery of the Assets to Matrix be subject to an overbid and will oppose any request for any overbid

6. The Settling Parties acknowledge that certain regulatory filings will need to be made to effectuate Matrix's acquisition of the Assets, and IECOM agrees to grant Matrix reasonable access at reasonable times upon reasonable notice to documents or other information that Matrix needs for these filings or for other reasons to effectuate its acquisition of the Assets.

7 Subject to Paragraph 8 hereof, on the later of the Settlement Effective Date and the date Matrix pays IECOM \$600,000 as required in paragraph 4 above, except as otherwise expressly provided in this Settlement Agreement, IECOM and each of its past and present predecessors, successors, and assigns (jointly and severally, the "IECOM Parties"), for and in consideration of this Settlement Agreement, release and absolutely and forever discharge Matrix and each of its past and present predecessors, successors, and assigns (jointly and severally, the "Matrix Parties") and their officers, directors, employees, and attorneys of and from any and all demands, promises, agreements, losses, injuries, claims, damages, debts, liabilities, accounts, reckonings, obligations, costs, expenses, liens, actions and causes of action arising out of or in any way related to any of the matters set forth in the Recitals of this Settlement Agreement

8 Notwithstanding any other provision of this Agreement:

(A) any and all claims, causes of action or other rights of IECOM against Matrix that arise under the MSA as a result of claims, causes of action or other rights asserted by third parties against IECOM that become "Allowed General Administrative Claims" under the proposed Joint

Chapter 11 Plan of Liquidation dated July 31, 2002 ("Plan"), or that otherwise become allowed administrative expenses pursuant to Bankruptcy Code section 503(b) are neither waived nor released under this Agreement;

(B) Matrix hereby represents and warrants to the best of its knowledge that all liabilities incurred by Matrix in connection with, arising out of, or relating to its performance or non-performance of rights, duties, and/or responsibilities under the MSA, on its own behalf or as agent for IECOM, have been paid and/or fully satisfied, and

(C) Matrix agrees to, and hereby does, fully indemnify, defend and save and hold IECOM harmless at all times in the event the IECOM shall at any time, or from time to time suffer any damage, obligation, liability, loss cost, expense, claim settlement (including all reasonable attorneys' fees) that becomes an "Allowed General Administrative Claim" under the proposed Joint Chapter 11 Plan of Liquidation dated July 31, 2002, that otherwise becomes an allowed administrative expense pursuant to Bankruptcy Code section 503(b), or that would qualify as an allowed administrative expense if the procedural requirements of section 503(b) were satisfied, in connection with the assertion of a claim, cause of action or other right by a third party, arising out of, resulting from or in connection with the performance or nonperformance by Matrix of any rights, duties, and/or responsibilities under the MSA, on its own behalf or as agent for IECOM. Whenever IECOM is notified that a party asserts a claim against IECOM as to which Matrix has indemnified IECOM under this paragraph, IECOM shall promptly notify Matrix of the claim and, when known, the facts constituting the basis for such claim, provided that failure of IECOM to provide Matrix with such notice shall not excuse or affect Matrix's

indemnification obligations hereunder, except to the extent that the failure to provide such notice shall actually prejudice Matrix. In the event Matrix shall become obligated to IECOM pursuant to this paragraph, or in the event that any suit, action, investigation, claim or proceeding is begun, made or instituted as a result of which Matrix may become obligated to IECOM hereunder, Matrix shall have the right to defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding by one or more counsel of its choice reasonably acceptable to IECOM. If Matrix so elects to defend or contest, IECOM shall have the right, at its expense, to participate in such defense, but such defense shall, at all times, be conducted by and under the control of Matrix and its counsel. IECOM and its successors under the Plan agree to reasonably cooperate and assist Matrix in defending against any such suit, action, investigation, claim or proceeding.

(D) IECOM hereby represents and warrants that to the best of his actual knowledge, as of the date he executes this Settlement Agreement, David M. Davis, President and Estate Representative for IECOM, has no knowledge of any claims, causes of action or other rights of IECOM against Matrix that have arisen under the MSA as a result of claims, causes of action or other rights asserted by third parties against IECOM that are or may become allowed administrative expenses pursuant to Bankruptcy Code section 503(b). This representation and warranty is made by IECOM. Matrix shall have no recourse against Mr. Davis in connection with such representation and warranty.

(E) Except as otherwise expressly provided in this Settlement Agreement, nothing in this Settlement Agreement shall affect IECOM's claims or rights against any other entities not a party to this Settlement.

Agreement or covered by this release, and nothing in this Settlement Agreement shall affect any other person's or entity's rights or claims against any other person or entity. The rights and claims released pursuant to this Settlement Agreement are limited to the rights and claims owned by the party releasing such rights or claims

9 On the later of the Settlement Effective Date and the date Matrix pays IECOM \$600,000 as required in paragraph 4 above, the Matrix Parties, for and in consideration of this Settlement Agreement, release and absolutely and forever discharge the IECOM Parties and their officers, directors, trustees, employees, and attorneys of and from any and all demands, promises, agreements, losses, injuries, claims, damages, debts, liabilities, accounts, reckonings, obligations, costs, expenses, liens, actions, and causes of action arising out of or in any way related to any of the matters set forth in the Recitals of this Settlement Agreement.

10 Except as otherwise expressly provided in this Settlement Agreement, nothing in this Settlement Agreement shall affect Matrix's claims against any other entities not a party to this Settlement Agreement

11 Except as otherwise expressly provided in this Settlement Agreement:

(A) Settling Parties intend this Settlement Agreement to be effective on the Settlement Effective Date as a full and final accord and satisfaction and general release of all claims, debts, damages, liabilities, demands, obligations, costs, expenses, disputes, actions, and causes of action, known or unknown, suspected or unsuspected, that the IECOM Parties may have against the Matrix Parties and that the Matrix Parties may have against the IECOM Parties, by reason of acts, circumstances, or transactions arising out of or in any way related to any of the matters set

forth in the Recitals of this Settlement Agreement, occurring before the Bankruptcy Court's order approving this Settlement Agreement, with the exception of the rights and obligations of the Settling Parties as expressly set forth in or reserved under this Settlement Agreement;

(B) In furtherance of this intention, on the Settlement Effective Date the Settling Parties waive the benefit of the provisions of California Civil Code § 1542, which provides as follows

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor

(C) On the Settlement Effective Date, the Settling Parties expressly waive and relinquish any and all rights or benefits they may have under, or which may be conferred upon them by, the provisions of § 1542 of the California Civil Code to the fullest extent that they may lawfully waive such rights or benefits pertaining to the subject matter of the release set forth in this Agreement

(D) In connection with such waiver and relinquishment, the Settling Parties hereby acknowledge that they are aware that they may hereafter discover claims and facts in addition to or different from those which they now know or believe to exist with respect to the subject matter of or any part to the releases set forth in this Agreement, but that it is nonetheless the intention of the Settling Parties to effectuate such releases hereunder

12 The Settling Parties intend this Settlement Agreement to be binding upon them regardless of any claims of fraud, misrepresentation, concealment of fact, mistake of law or fact, duress, or any other circumstance whatsoever in connection with any matter dealt with in this Settlement Agreement or the

negotiation of this Settlement Agreement. In entering into this Settlement Agreement, all Settling Parties recognize that no facts or representations are ever absolutely certain. Accordingly, the Settling Parties assume the risk of any misrepresentation, concealment, or mistake; and if any of the Settling Parties should subsequently discover that any facts relied upon by it or them in entering into this Settlement Agreement were or are untrue, or that any fact was concealed from it or them, or that an understanding of the facts or of the law was incorrect, that Settling Party or those Settling Parties shall not be entitled to set aside this Settlement Agreement by reason thereof. The finality of this Settlement Agreement is a material factor inducing the Settling Parties to enter into this Settlement Agreement.

13 The Settling Parties will bear their own costs and attorneys' fees in all matters that this Settlement Agreement resolves and with respect to this Settlement Agreement.

14 If the Bankruptcy Court does not approve this Settlement Agreement, the Settling Parties will have the same rights against each other that they had upon the execution of this Settlement Agreement.

15 While the Settling Parties are seeking to obtain approval of this Settlement Agreement by the Bankruptcy Court, the Settling Parties will not sell, transfer, assign, release, or withdraw their claims against each other without the consent of the other Settling Parties or unless any purchaser, assignee, or other transferee of any claim expressly assumes all obligations under the Settlement Agreement of the Settling Party that is selling, assigning, or transferring such claim.

16 If the Bankruptcy Court does not approve this Settlement Agreement, the Settling Parties agree that there shall not be admissible in evidence in, used for any purpose in, have any bearing on, or be deemed a

waiver of the attorney-client privilege in, any proceeding between any of the Settling Parties or in any proceeding involving the matters that are the subject of this Settlement Agreement (a) the material terms of this Settlement Agreement, (b) the details of the negotiations on which this Settlement Agreement was based, (c) any declarations or arguments made on behalf of IECOM and filed with the Bankruptcy Court in connection with the approval of this Agreement, and (d) any declarations or arguments made on behalf of Matrix and filed with the Bankruptcy Court in connection with the approval of this Agreement.

17. All obligations undertaken in this Settlement Agreement by the Settling Parties shall be binding on their respective successors, transferees, and assigns

18. Each of the Settling Parties warrants and represents to the other Settling Parties as of the date of this Settlement Agreement and as of the Settlement Effective Date that it has not assigned, encumbered, hypothecated, or transferred, or purported to assign, encumber, hypothecate, or transfer, to any other person or entity in any manner, including by way of subrogation, any claim, demand, right, or cause of action that it has agreed in this Settlement Agreement to release or any portion of any recovery or settlement to which this Settlement Agreement entitles it, other than as provided in connection with the debtor in possession financing facility provided by the Lenders to IECOM and its debtor affiliates in connection with their chapter 11 cases.

19. This Settlement Agreement may be executed in counterparts, which, taken together, shall constitute an original executed Settlement Agreement.

20. The rights and obligations of the Settling Parties under this Settlement Agreement shall be construed and enforced in accordance with and governed by the laws of the State of California. The Bankruptcy Court may

interpret and enforce this Settlement Agreement, and the Settling Parties submit to the jurisdiction of the Bankruptcy Court for this purpose.

21 All Settling Parties warrant that they have been represented by counsel in connection with entering into this Settlement Agreement and that all provisions thereof have been explained to them and that they understand them

22 All Settling Parties represent and declare that they have carefully read this Settlement Agreement and know the contents thereof and that they have signed this Settlement Agreement freely and voluntarily

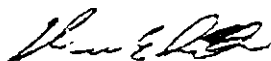
23 Each person executing this Settlement Agreement warrants and represents that that person is empowered and authorized to bind the party on whose behalf that person has executed this Settlement Agreement

24 All Settling Parties shall execute and deliver all such further documents and papers, and shall perform any and all acts, necessary to give full force and effect to all of the terms and provisions of this Settlement Agreement.

25 This Settlement Agreement contains the entire understanding of the Settling Parties with respect to the matters covered herein and supersedes all prior and collateral agreements, understandings, statements, and negotiations of the Settling Parties. All Settling Parties acknowledge that no representations, inducements, promises, or agreements, oral or written, with reference to the subject matter of this Settlement Agreement, have been made other than as expressly set forth herein. This Settlement Agreement cannot be orally changed, rescinded, or terminated. Any change or modification to this Settlement Agreement must be in a writing signed by all Settling Parties.

[signatures on next page]

MATRIX TELECOM, INC.



By Dennis E. Smith, President

Dated: September 11, 2002

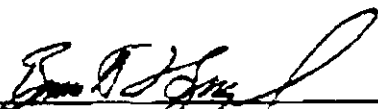
INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.

By Dave Davis, __

Dated September __, 2002

Approved as to form and content

KIRKLAND & ELLIS



By Bennett L. Spiegel
Counsel to Matrix Telecom, Inc.
Dated: September 19, 2002

Martin R. Barasn, a member of Klee, Tuchin, Bogdanoff & Stern LLP
Bankruptcy Counsel to International Exchange Communications, Inc.
Dated: August __, 2002

Agreed and Approved by IECOM's Secured Lenders

O'MELVENY & MYERS

By Ben H. Logan
Counsel to __
Dated: September __, 2002

MATRIX TELECOM, INC

By _____

Dated August __, 2002

INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.



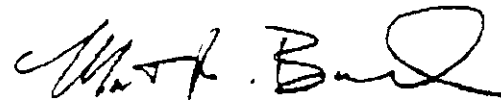
By Dave Davis, _____

Dated ^{September} ~~August~~ 10, 2002

Approved as to form and content

KIRKLAND & ELLIS

By Bennett L. Spiegel
Counsel to Matrix Telecom, Inc
Dated August __, 2002



Martin R. Barash, a member of Klee, Tuchin, Bogdanoff & Stern LLP
Bankruptcy Counsel to International Exchange Communications, Inc
Dated August __, 2002

^{October 17, 2002}
Agreed and Approved by IECOM's Secured Lenders

O'MELVENY & MYERS

By Ben H. Logan
Counsel to _____
Dated August __, 2002

MATRIX TELECOM, INC.

By _____

Dated August ___, 2002

INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.

By Dave Davis, _____

Dated: August ___, 2002

Approved as to form and content

KIRKLAND & ELLIS

By Bennett L. Spiegel
Counsel to Matrix Telecom, Inc
Dated: August ___, 2002

Martin R. Barash, a member of Klee, Tuchin, Bogdanoff & Stern LLP
Bankruptcy Counsel to International Exchange Communications, Inc
Dated August ___, 2002

Agreed and Approved by IECOM's Secured Lenders

O'MELVENY & MYERS

By Ben H. Logan
Counsel to Bank America, N.A., as Agent
Dated. August, 2002
September 9,

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FROM

EXHIBIT A

MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT ("Agreement") is made and entered into as of January 5, 2000 (the "Effective Date"), by and between International Exchange Communications, Inc. ("IECOMM"), and Matrix Telecom, Inc. ("Matrix").

BACKGROUND

WHEREAS, IECOMM and Matrix desire to negotiate and enter into an Asset Purchase Agreement (the "Purchase Agreement"), pursuant to which Matrix will purchase certain of the assets of IECOMM as set forth in Exhibit A hereto (the "Assets") for a contemplated amount equal to 1.5x December 2000 revenue generated; and

WHEREAS, until such time as the Assets have been transferred to Matrix pursuant to the Purchase Agreement, IECOMM desires to utilize Matrix's services on an exclusive basis to manage the operation of the Assets; and

WHEREAS, Matrix desires to provide the services to IECOMM on the terms and subject to the conditions stated herein;

NOW, THEREFORE, IECOMM and Matrix, in consideration of the mutual promises hereinafter set forth, do hereby promise and agree as follows:

1. **Appointment of Matrix.** IECOMM hereby appoints Matrix as the sole and exclusive provider of all services necessary or appropriate for the supervision and management of the Assets, as described more fully in Section 2 (the "Services"). Matrix hereby accepts such appointment on the terms and subject to the conditions stated herein.

2. **Scope of the Services.** Commencing with the date hereof and continuing during the Term of this Agreement, Matrix shall use its best efforts to establish and implement operational policies and provide sole management of the Assets, including general supervision, direction and control of said Assets. Without limiting the foregoing, Matrix shall maintain IECOMM's relationships with the customers included in the Assets (including, but not limited to, providing long distance services, provisioning, billing, collection, customer complaints and customer contact) and shall manage and account for the customer receivables included in or derived from the Assets. Matrix does not represent or guarantee that management of the Assets will be profitable, and IECOMM acknowledges that the Assets may deteriorate or trade under Matrix's management.

3. **Responsibilities of IECOMM.** Commencing with the date hereof and continuing until termination of this Agreement as provided herein, IECOMM shall assist and fully cooperate with Matrix as is reasonably requested by Matrix in relation to Matrix's performance of the Services. Without limiting the foregoing, IECOMM shall undertake the following responsibilities under the supervision of Matrix or its agents or assigns:

- (a) IECOMM shall provide Matrix with the Assets, including all related information and materials in its possession, which are necessary to enable Matrix to provide the Services, at any reasonable location that Matrix shall designate.
- (b) IECOMM shall be responsible for all taxes, fees, carrier costs and other expenses related to activity or revenue generated and billed prior to the Effective Date, regardless of when such taxes, fees, except for USF billed subsequent to December 31, 2000, carrier costs or other expenses are due or owing.
- (c) IECOMM shall perform any acts reasonably necessary to maintain and preserve the Assets, pursuant to and in accordance with the supervision and direction of Matrix, excluding those acts which are to be performed by Matrix in connection with the Services.
- (d) IECOMM shall continue to communicate with third parties pursuant to the supervision and direction of Matrix, including responding to inquiries, requests and correspondence.

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- (e) IECOMM shall promptly inform Matrix and provide Matrix with copies of all correspondence and communications relating to the Assets.
- (f) At the request of Matrix, IECOMM shall timely exercise whatever rights it has relating to the Assets, including but not limited to its rights (whether in law or equity) with respect to breach, termination, set-off, indemnity, waiver, sub-contracting and assignment.

4. Responsibilities of Matrix. Commencing with the date hereof and continuing until termination of this Agreement as provided herein, Matrix shall undertake the following responsibilities:

- (a) Matrix shall perform all Services to the best of its ability and in a manner reasonably consistent with its past practices.
- (b) Matrix shall be responsible for and pay all taxes, fees, carrier costs and other expenses related to activity or revenue generated after the Effective Date.
- (c) Matrix shall inform IECOMM of all material regulatory communications and cooperate with all regulatory filings.
- (d) Matrix shall inform IECOMM of all material customer complaints and the steps taken by Matrix to resolve said complaints.
- (e) Upon request, Matrix shall provide IECOMM with any management reports it may reasonably request.

5. Additional Covenants. The parties agree that:

- (a) Toll Free Telephone Numbers. During the Term, Matrix shall have the sole and exclusive right to use the "toll free" telephone numbers set forth on Exhibit B.
- (b) Carrier Identification Code(s). IECOMM represents and covenants that it owns all right, title and interest in and to the Carrier Identification Code(s) listed on Exhibit A and that such Code(s) shall be used during the Term exclusively by Matrix in the management and service of the customers included in the Assets.

6. Independent Contractor Status. Matrix is an independent contractor in the performance of the Services under this Agreement and shall determine the method, details and means of performing the Services. Without limiting the generality of the foregoing, Matrix shall be permitted, in its sole discretion, to (i) enter into and perform contracts and agreements in its own name for the furnishing of services, equipment, parts and supplies in connection with the Services, and (ii) recruit, hire and terminate the services of any of its employees and independent contractors who perform services in connection with the Services. Matrix shall solely establish the terms and conditions of employment for all of its employees and shall pay all salaries and other compensation due such employees. Matrix is not an agent of IECOMM and has no authority whatsoever to bind IECOMM by contract or agreement of any kind.

7. Compensation. As compensation for the Services, Matrix shall have the right to retain all net profits associated with the Assets during the Term, except that:

- (a) Matrix shall pay to IECOMM a royalty of six and one-half percent (6.5%) of all revenue generated and collected after the Effective Date, not to exceed one and one-half (1.5) times December, 2000 revenue.
- (b) Such royalty payments shall be due and payable no later than thirty (30) days after such revenue has actually been collected.
- (c) Any amount Matrix is required to pay for taxes, fees, fines, costs, (and/or any other expense for activity or revenue generated prior to the Effective Date) may be deducted from any such royalty payment.
- (d) Any amount Matrix is required to pay to facilitate moving the customer base to a new underlying carrier(s) may be deducted from any royalty payment due hereunder.

8. Accounts Receivable Processing. On the Effective Date, IECOMM will transfer to Matrix control of all lockbox and other bank accounts used for collection and processing of customer payments and related activity, as described in Exhibit A. After the Effective Date, Matrix shall collect and process all payments, holdbacks, reserves, credits, refunds and related payments. Matrix shall pay to IECOMM eighty percent (80%) of all payments received for Direct billings generated prior to the Effective Date, net of bad debts, credits and refunds. Such payments shall be due and payable weekly, within ten (10) days

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of collection. Any LEC payments remitted for billings prior to the effective date will be remitted directly to IECOMM within 5 business days. Matrix shall also provide PGE with a weekly accounting of the collection and processing of all payments, holdbacks, reserves, credits, refunds and related payments.

9. Expenses. Matrix shall bear all costs and expenses incurred in connection with providing the Services. Except as may be otherwise specifically provided herein, the parties hereto shall pay their own legal fees and expenses incurred in connection with the negotiation and consummation of the transactions contemplated by this Agreement.

10. Term. The term of this Agreement (the "Term") shall commence on the date hereof and shall continue until the earlier of (i) the closing of the transactions contemplated by the Purchase Agreement (the "Closing"), or (ii) 120 days after written notice of intent to terminate by either party. Upon the termination of this Agreement, neither party shall be further obligated under this Agreement except for the parties' respective indemnification obligations set forth herein. In the event that this Agreement terminates without closing of the Purchase Agreement, Matrix agrees that it will use its best efforts to return all assets and operational materials in its possession to IECOMM in a manner permitting seamless continuation of service to the customer base.

11. Indemnification of Matrix

11.1 IECOMM agrees to, and hereby does, fully indemnify, defend and save and hold Matrix harmless at all times in the event that Matrix shall at any time or from time to time suffer any damage, obligation, liability, loss, cost, expense, claim, settlement or cause of action (including all reasonable attorneys' fees) arising out of, resulting from or in connection with, or shall pay or become obligated to pay any sum on account of IECOMM's performance or non-performance of obligations under this Agreement (an "Event of Matrix Indemnification").

11.2 Whenever any claim shall arise for indemnification pursuant to Section 11.1, above, Matrix shall promptly notify IECOMM of the claim and when known, the acts constituting the basis for such claim, provided that failure of Matrix to provide IECOMM with such notice shall not excuse or affect IECOMM's indemnification obligations under Section 11.1, above, except to the extent that the failure to provide such notice shall actually prejudice IECOMM. In the event IECOMM shall become obligated to Matrix pursuant to Section 11.1, above, or in the event that any suit, action, investigation, claim or proceeding is begun, made or instituted as a result of which IECOMM may become obligated to Matrix thereunder, IECOMM shall have the right to defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding by one or more counsel reasonably acceptable to Matrix. In the event IECOMM so elects to defend or contest, Matrix shall have the right, at its expense, to participate in such defense, but such defense shall at all times be conducted by and under the control of IECOMM and its counsel. In the event IECOMM elects not to defend, contest or otherwise protect against any action, investigation, claim or proceeding, Matrix shall have the right, at IECOMM's expense, to pursue any such defense, contest or protection.

12. Indemnification of IECOMM

12.1 Matrix agrees to, and hereby does, fully indemnify, defend and save and hold IECOMM harmless at all times in the event that IECOMM shall at any time or from time to time suffer any damage, obligation, liability, loss, cost, expense, claim, settlement or cause of action (including all reasonable attorneys' fees) arising out of, resulting from or in connection with the performance or non-performance of the Services; provided, however, any such damages, obligations, liabilities, losses, costs, expenses, claims, settlements, or causes of action do not arise out of, result from or be attributable to an Event of Matrix Indemnification.

12.2 Whenever any claim shall arise for indemnification pursuant to Section 12.1, IECOMM shall promptly notify Matrix of the claim and, when known, the facts constituting the basis for such claim, provided that failure of IECOMM to provide Matrix with such notice shall not excuse or affect Matrix's indemnification obligations under Section 12.1, except to the extent that the failure to provide such notice shall actually prejudice Matrix. In the event Matrix shall become obligated to IECOMM pursuant to Section 12.1, or in the event that any suit, action, investigation, claim or proceeding is begun, made or instituted as a result of which Matrix may become obligated to IECOMM thereunder, Matrix shall

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have the right to defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding by one or more counsel of its choice reasonably acceptable to IECOMM. If Matrix so elects to defend or contest, IECOMM shall have the right, at its expense, to participate in such defense, but such defense shall at all times be conducted by and under the control of Matrix and its counsel. In the event Matrix elects not to defend, contest or otherwise protect against any such suit, investigation, claim or proceeding, IECOMM shall have the right, at Matrix's expense, to pursue any such defense, contest or protection.

12.3 If the contemplated Closing does not occur and this Agreement is terminated according to Section 10(B), Matrix shall be liable for, shall pay or cause to be paid and shall indemnify and hold IECOMM and its affiliates and all of their officers, directors and agents, harmless from and against any and all losses, claims, damages, liabilities, costs, expenses (including reasonable attorney's fees and the cost and expenses of enforcing such indemnification against Matrix), interest and penalties, if any, arising out of or based upon or for or in respect of each of the following: (i) any and all Income Taxes or franchise or other Taxes measured by net income with respect to the Assets (computed on a stand alone basis) for any taxable period (or partial period) commencing after the date hereof and continuing through the termination of this Agreement; (ii) any and all other Taxes with respect to the Assets for any Tax period commencing after the date hereof and continuing through the termination of this Agreement.

13. Notices. All notices, requests, demands and other communications made under this Agreement shall be in writing and shall be deemed given upon (a) confirmation of receipt of a facsimile transmission, (b) confirmed delivery by a standard overnight carrier or when delivered by hand, or (c) the expiration of three (3) business days after the day when mailed by registered or certified mail (postage prepaid, return receipt requested), addressed to the respective parties at the following addresses (or such other address for a party as shall be specified by the notice):

If to Matrix, to:

MATRIX TELECOM, INC.
300 N. Main
Oklahoma City, OK 73107
Phone: 405-451-8300
Fax: 405-351-9440

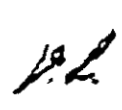
If to IECOMM, to:

International Exchange Communications, INC
600 Airport Blvd, Suite 340
Burlingame, CA 94010
Phone: 650-652-3152
Fax: 650-678-6789

14. Entire Agreement. This Agreement and any agreements between or among the parties hereto of even date herewith constitute the entire agreement among the parties hereto relating to the subject matter hereof, and all prior agreements, correspondence, discussions and understandings of the parties (whether oral or written) are merged herein and superseded hereby, it being the intention of the parties hereto that this Agreement and the instruments and agreements contemplated hereby shall serve as the complete and exclusive statement of the terms of their agreement together. No amendment, waiver or modification hereto or hereunder shall be valid unless in writing signed by an authorized signatory of the party or parties to be affected thereby.

15. Assignment. This Agreement and the rights hereunder shall not be assignable or transferable (i) by Matrix without the prior written consent of IECOMM, except to an affiliate of Matrix or to a financial institution in connection with a financing related to this Agreement, or (ii) by IECOMM without the prior written consent of Matrix. The duties and obligations of a party hereunder shall not be delegable without the prior written consent of the other parties hereto.

16. Binding Effect. This Agreement shall be binding upon the parties hereto and their respective successors and permitted assigns.



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17. Section Headings. The headings in this Agreement are for purposes of convenience and ease of reference only and shall not be construed to limit or otherwise affect the meaning of any part of this Agreement.

18. Severability. The parties agree that if any provision of this Agreement shall under any circumstances be deemed invalid or inoperative, this Agreement shall be construed with the benefit or inoperative provision deleted, and the rights and obligations of the parties shall be construed and enforced accordingly.

19. Applicable Law. All complaints and interpretation of this Agreement and all questions arising in connection herewith shall be governed by and construed in accordance with the Internal laws of the State of Oklahoma without regard to the principles of conflicts of laws thereunder.

20. Counterparts. This Agreement may be executed in one or more original or facsimile counterparts, all of which shall be considered but one and the same agreement, and shall become effective when one or more such counterparts have been executed by each of the parties and delivered to the other parties.

21. Use of Terms. In this Agreement, (i) the words "hereof," "herein," "herein," "hereunder" and words of similar import mean and refer to this Agreement as a whole and not merely to the specific section or clause in which the respective word appears. (ii) words importing gender include the other genders as appropriate and (iii) any terms defined in this Agreement may, unless the context otherwise requires, be used in the singular or the plural depending on the reference.

22. Facsimile Copy. This Agreement may be executed in facsimile copy with the same binding effect as an original.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day, month and year first above written.

International Exchange Communications, Inc.

By: _____

Printed: _____

Title: _____

Date: _____

MATRIX TELECOM, INC.

By:  _____

William C. Gilling
Senior Vice President

Date: 12-28-00

P.L.

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Exhibit A - Assets

1. All of IECOMM's retail customer base, including but not limited to the following:
approximately 30,000 customer accounts receiving 1+, calling card, or toll-free services.
2. All data, databases, documentation, customer records, end-user call records for the past two years, credit information, correspondence, contracts, letters of authority, customer subscription contracts, informal and formal Public Utility and POC complaints, etc., related to the Assets described herein.
3. All accounts receivable, notes receivable, customer receivables or other sums due to IECOMM for Direct billed service relating to the Assets prior to the Effective Date. Said amounts shall include Direct billed traffic remaining unbilled to the end-user on the Effective date in accordance with past billing practices.
4. Carrier Identification Code ___0697, 0025, 5734, 5404, 5318 & 6022
and corresponding ACMA(DOH for all 6 CIC's)
5. All of IECOMM's used or reserved toll-free telephone numbers, including but not limited to those set forth in Exhibit B.
6. Perpetual right to use IECOMM's name, logos, trade or service marks, etc., which have been associated with the customer base.
7. Any assets of the type described above which are acquired after the date hereof.
8. All IECOMM lockboxes and bank accounts used to receive customer and LEC payments. Each account will have a reconciled zero balance except for all deposits and receipts from and after the Effective Date.

3-1-1

R.P.
TOTAL = 27

Exhibit B - Toll-Free Phone Numbers**800 966-6106****800 322-0960****800 966-6166****800 360-1289****800 589-6812****800 253-1289****888 455-5461****800 232-9732****800 322-0964****800 810-9750****888 387-7722**

CLARIFICATION.

The undersigned parties to the
Management Services Agreement dated
January 5, 2001, ("MSA")
which was entered into
on or about December 29, 2000, hereby
acknowledge certain clarifications to
the MSA in order to resolve certain
disputes that have arisen regarding the
interpretation of the MSA.

As to the provision in Paragraph 8
of the MSA which provides "Matrix shall
pay to IEComm eighty percent (80%) of
all payments received for Direct billings
^{generated}
prior to the Effective Date, net of

2

bad debts, credits and refunds," the

undersigned parties acknowledge that

~~all~~ all payments received for Direct

billings ^{generated} (prior to the Effective Date "

means all payments received ^{by Mtny} on ~~the~~ ^{following} the Effective Date

account of telephone calls made

prior to the Effective Date ~~through a local exchange~~

~~through a local exchange carrier irrespective of~~

~~when such calls are~~ by ~~(retail)~~

customers that are billed directly

(i.e., not through a local exchange

carrier), regardless of whether

such calls are billed to such

customers after the Effective Date.

(LCC), ~~and not for LCC billed to other parties~~

3

Notwithstanding the foregoing,

In connection with this clarification,

the parties further acknowledge

that with respect to payments for

telephone calls made prior to the

Effective Date, ~~there~~ for which bills

had not been transmitted to customers

as of the Effective Date, ~~Matrix shall~~

Matrix shall be obligated to remit
of the aggregate amount
to IECOMM only 50% of such

payments. ~~on the aggregate~~ As to

payments received on account

of ~~Matrix~~ ~~telephone calls made~~ ~~prior to the Effective Date~~

prior to the Effective Date, for which

bills had been transmitted to customers

PROOF OF SERVICE

I am over eighteen years of age, and I am not a party to this action. I am employed by Klee, Tuchin, Bogdanoff & Stern LLP, and my business address is: 1880 Century Park East, Suite 200, Los Angeles, California 90067-1698. Klee, Tuchin, Bogdanoff & Stern LLP employs a member of the bar of the State of California at whose direction this service was made.

On December 18, 2002 I served the following pleading:

**ORDER APPROVING SETTLEMENT AGREEMENT WITH MATRIX
TELECOM, INC. AND SALE OF ASSETS PURSUANT THERETO
(REVISED VERSION)**

on the interested parties in this action by placing true and correct copies of the pleading with the United States Postal Service, enclosed in sealed envelopes, with postage fully paid, addressed as indicated on the attached list.

Bennett L. Spiegel, Esq., Kirkland & Ellis
777 South Figueroa Street, Los Angeles, CA 90017

Ben Logan, Esq. and Victoria Graff, Esq., O'Melveny and Myers LLP
400 South Hope Street, Los Angeles, CA 90012

William J.A. Weir, Esq., Luce Forward, Hamilton & Scripps LLC
121 Spear Street, Suite 200, San Francisco, CA 94105

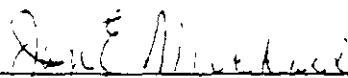
John Moe, Esq., Luce Forward, Hamilton & Scripps LLP
777 South Figueroa, Suite 3600, Los Angeles, CA 90017

Steven L. Johnson, Esq., Office of the United States Trustee
250 Montgomery Street, Suite 1000, San Francisco, CA 94104-3401

Mr. David M. Davis, Pacific Gateway Exchange Inc
500 Airport Drive, Suite 100, Burlingame, California 94010

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

EXECUTED on December 18, 2002 at Los Angeles, California.



Jan E. Michael, Declarant

EXHIBIT C

CERTIFICATIONS OF APPLICANT

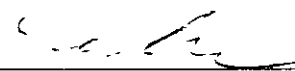
On behalf of Matrix Telecom, Inc. ("Matrix") and in accordance with Sections 1.2001-1.2003 of the Commission's Rules, 47 C.F.R. §§ 1.2001-1.2003 (2002), I hereby certify that neither Matrix, its officers and directors, or any party with a five percent or greater interest in Matrix, is subject to a denial of the Federal benefits requested herein pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988. See 21 U.S.C. § 853(a) (2002). I also hereby certify that the statements in the foregoing application are true, complete, and correct to the best of my knowledge and are made in good faith.

Matrix has not agreed to accept any concessions directly or indirectly from any foreign carrier or administration with respect to traffic or revenue flow between the United States and various international points under the authority granted under Section 214 of the Communications Act of 1934, as amended, and the Commission's Rules, and has not agreed to enter into such agreements in the future.

Pursuant to Section 63.18(i) of the Commission's Rules, 47 C.F.R. § 63.18(i) (2002), I certify that Matrix is neither a foreign carrier nor affiliated with a foreign carrier as defined by the Commission's Rules.

Further, pursuant to Section 63.18(j) of the Commission's Rules, 47 C.F.R. § 63.18(j) (2002), I certify that Matrix does not intend to provide international telecommunications services to a destination country for which (1) Matrix is a foreign carrier in that country, or (2) Matrix controls a foreign carrier in that country, or (3) any entity that owns more than 25 percent of Matrix controls a foreign carrier in that country, or (4) two or more foreign carriers (or parties that control foreign carriers) own, in the aggregate, more than 25 percent of Matrix and are parties to, or the beneficiaries of, a contractual relation (e.g., a joint venture or market alliance) affecting the provision or marketing of international basic telecommunications services in the United States.

MATRIX TELECOM, INC.

By	
Name	David L. Smith
Title	President
Date	2-14-01

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
MATRIX TELECOM, INC.)	
)	
Transferee,)	
)	
INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.,)	File No. _____
)	
Transferor,)	
)	
Application for Authority Pursuant to)	
Section 214 of the Communications Act)	
of 1934, as amended, to Transfer Control of)	
Assets of Authorized International and)	
Domestic Carrier)	

**AMENDMENT TO APPLICATION FOR CONSENT TO TRANSFER
CONTROL OF ASSETS OF INTERNATIONAL AND DOMESTIC CARRIER**

On March 3, 2004, Matrix Telecom, Inc. ("Matrix") filed an Application for Consent to Transfer Control of Assets of International and Domestic Carrier with the Commission. On April 1, 2004, Susan O'Connell of the Policy Division of the Commission's International Bureau, contacted counsel for Matrix and requested additional information regarding the proposed transfer, including contact information for a representative of International Exchange Communications, Inc. ("IECom"), and a certification from an IECom representative. Matrix hereby supplements the Application with the requested information.

I. REPRESENTATIVE OF IECom

As requested by Ms. O'Connell, IECom's contact person for purposes of the Application is Dave Davis, President of IECom. Mr. Davis's telephone number is (513) 237-3138. All other contact information for IECom is as supplied in the Application. A certification from Mr. Davis attesting to the accuracy of all information pertaining to IECom is enclosed herewith.

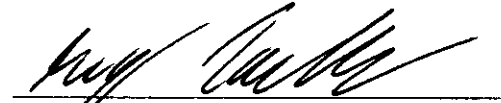
II. CONCLUSION

Matrix respectfully requests that the information submitted in this Amendment be incorporated into its March 3, 2004 Application.

Respectfully submitted,

MATRIX TELECOM, INC.

By:



Thomas K. Crowe
Gregory E. Kunkle,
LAW OFFICES OF THOMAS K. CROWE,
P C
1250 24th Street, N W , Suite 300
Washington, D C 20037
(202) 263-3640 Telephone

COUNSEL FOR MATRIX
TELECOM, INC

April 28, 2004

CERTIFICATIONS OF AUTHORIZED CARRIER

On behalf of International Exchange Communications, Inc ("IECom") and in accordance with Sections 1.2001-1.2003 of the Commission's Rules, 47 C.F.R. §§ 1.2001-1.2003 (2000), I hereby certify that neither IECom, its officers and directors, or any party with a five percent or greater interest in IECom, is subject to a denial of the Federal benefits requested herein pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988. See 21 U.S.C. § 853(a) (2000). I also hereby certify that the statements in the foregoing submission as well as the statements pertaining to IECom in the Application For Consent To Transfer Control Of Assets Of International And Domestic Carrier dated March 3, 2004 are true, complete, and correct to the best of my knowledge and are made in good faith.

INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.

By:



Name:

DAVID M DAVIS

Title:

President

Date:

4/15/04